

Message Text

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PAGE 01 BREMEN 00125 211852Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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R 211305Z FEB 78
FM AMCONSUL BREMEN
TO SECSTATE WASHDC 2542
INFO AMEMBASSY BONN
USMISSION USBERLIN
AMCONSUL DUESSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS

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BRUSSELS FOR USEC; PARIS FOR OECD AND EMBASSY

E.O. 11652: N/A
TAGS: EFIN, EGEN, GW, US
SUBJECT: MAYOR KOSCHNICK PUBLICLY CHARGES US MANIPULATES
DOLLAR EXCHANGE RATE

1. AT THE 77TH ANNIVERSARY DINNER OF THE BREMEN EAST ASIA
SOCIETY HELD IN THE BREMEN RATHAUS ON FEBRUARY 17, MAYOR
HANS KOSCHNICK SUBSTITUTED FOR FORMER DEFENSE MINISTER
GEORG LEBER AS GUEST SPEAKER. LEBER WAS TO HAVE SPOKEN ON THE
SUBJECT OF EUROPEAN DEFENSE. THE HONOR GUEST AT THE GALA
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BLACK TIE EVENT WAS THE PHILLIPINE AMBASSADOR TO BONN,
GREGORIO ABAD. THE PRC AMBASSADOR, WHO HAD ACCEPTED THE
INVITATION, WAS A LAST MINUTE "DROPOUT". I ATTENDED THE DINNER
AS A GUEST AND WAS SEATED AT THE HEAD TABLE.

2. KOSCHNICK, WHO JUST RETURNED FROM AN EXTENDED TOUR OF
KOREA, JAPAN, AUSTRALIA, AND NEW ZEALAND AS THE LEADER OF

A BREMEN TRADE MISSION, DELIVERED A BRIEF BUT HORTATORY SPEECH ON THE STATE OF THE WORLD ECONOMY. HE SAID ALL THE "RIGHT" THINGS CONCERNING WORLD ECONOMIC INTERDEPENDENCE. HE STRESSED THE NEED TO AVOID PROTECTIONIST MEASURES, WHICH COULD ONLY LEAD TO A DISMANTLING OF THE STRUCTURE OF WORLD TRADE THAT HAD BEEN SO PAINSTAKINGLY BUILT UP, AND HE CAUTIONED AGAINST THE THREAT OF SLIDING BACK INTO THE SELF-DEFEATING PRACTICES OF THE THIRTIES. HE WARNED AGAINST ATTEMPTS TO CAPTURE MARKETS THROUGH DUMPING PRACTICES AND TO SEEK PROTECTION THROUGH UNILATERAL IMPORT RESTRICTIONS OR BILATERALLY-AGREED EXPORT LIMITATIONS. HE SINGLED OUT JAPAN FOR CRITICISM AND CALLED ON THE FEDERAL GOVERNMENT TO WORK TOGETHER WITH ITS EUROPEAN COMMUNITY PARTNERS TOWARD STIMULATING WORLD TRADE.

3. HE DEPLORED THE DECLINE OF THE DOLLAR AND THE DIFFICULTIES ARISING THEREFROM FOR THE GERMAN ECONOMY - AND PARTICULARLY FOR BREMEN TRADERS AND SHIPPERS - WHO DO THEIR BILLING IN DOLLARS WHILE OBLIGED TO COVER A LARGE SHARE OF THEIR COSTS IN DMARKS. THEN, DIRECTING HIS REMARKS TO ME BY SAYING -- "I AM SORRY MR. CONSUL GENERAL" -- HE CRITICIZED THE US MEASURES TO PROTECT ITS STEEL INDUSTRY (THROUGH THE REFERENCE PRICING SCHEME) AND WARNED THE US NOT TO TURN THE PRICE SCREW ANY FURTHER "THROUGH ITS MANIPULATIONS OF THE DOLLAR EXCHANGE RATE."

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4. COMMENT: THE CONSUMMATE POLITICIAN THAT HE IS AND WITH NO RISK OF AN OPEN REJOINDER, KOSCHNICK WAS SURE OF RECEIVING THE APPLAUSE OF THE NEARLY 300 ASSEMBLED BREMEN CONSTITUENTS -- TOP BUSINESS LEADERS, BANKERS, TRADERS, AND SHIPPERS. HIS EARLIER PERFUNCTORY "NOSTRA CULPA" REMARKS, CRITICAL OF THE EUROPEAN COMMUNITY'S PROTECTIONIST COMMON AGRICULTURAL POLICY, WERE INTENDED TO CONVEY HIS OBJECTIVITY AND "EVENHANDEDNESS" WHEN DELIVERING HIS CRITICAL COMMENTS ABOUT THE US AND JAPAN. HIS MILD REMARKS ABOUT THE CAP WERE ALSO SURE NOT TO AROUSE ANY DISAPPROVAL FROM THE ASSEMBLED, AMONG WHOM THERE WERE OBVIOUSLY NO REPRESENTATIVES OF FARMING INTERESTS. AS HE RETURNED TO HIS HEAD TABLE SEAT, CLOSE TO WHERE I WAS SITTING, THE MAYOR GOOD-HUMOREDLY RAISED HIS GLASS IN A TOAST TO ME AND SAID THAT HE DISAPPROVED OF MR. BLUMENTHAL'S POLICY, TO WHICH I REPLIED THAT I IN TURN COULD NOT AGREE WITH HIS CRITICAL PUBLIC REMARKS. QUITE NATURALLY, THE OCCASION DID NOT PERMIT ANY FURTHER DISCOURSE ON THE SUBJECT. SCHIFFMAN

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